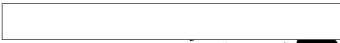


MEMORANDUM FOR:


Director of Global Issues

Attached per our telephone conversation
today.



William J. Casey

Date 14 May 1984

President O'Hara, distinguished faculty, and graduates and family members of the class of 1984. Thank you for that kind introduction. I am touched by the warmth of your reception and grateful at becoming an honorary alumnus of Bryant.

I feel more at home here than you might imagine. I came here from the CIA campus in Virginia, across the Potomac from Washington. Contrary to the spy novels and movies, most of our people in intelligence spend their time sitting at computers or in libraries evaluating and analyzing information. Today's James Bonds have graduate degrees and are more conversant in economics, science, engineering, demography, and history than with gambling casinos, fast cars, smoky bars, or run-down hotels around the world. They develop and use technical marvels and apply the finest scholarship to gather, analyze, and interpret facts and relationships from every corner of the earth and beyond.

The last recession, the worst since the Depression, had a profound effect on the American business community. Our economic troubles led to a great deal of soul-searching on how things went wrong. As future business and government leaders, you have benefited from this review and by now have been told

the long list of skills you will need in order to be successful: technical knowledge, negotiating ability, interpersonal management skills, the ability to plan for and manage change, and, of course, strong ethical standards.

As a former businessman, a past and current public servant, I believe you will need another ingredient for success, equally important -- a keen understanding of world affairs.

We can no longer divide our work, our interests, into neatly-labeled boxes. We cannot easily separate the private from the public sector, or domestic from international affairs. Our most important problems overlap. World events will affect your businesses; none is insulated from foreign shocks and crises. You need to look no further than the recent recession which many believe was triggered by a series of OPEC oil price increases.

The world has fused into one global economic system. Our economy is much more sensitive to international market and financial trends. About 25 percent of goods produced in the world are traded across national borders. Governments have become economic powers in their own right. American businesses must compete in the world market place or our economy and

eventually our national security will wither. The expert, no matter how well versed in the latest information processing techniques, who cannot relate his or her expertise to the surrounding world environment will simply not function at full capacity and will not be able to understand the range of factors that underlie corporate planning and decision making.

What then are the major international trends which could change and shape the business environment? The Soviet Union still dominates any broad discussion of international affairs and with good reason. For all its weaknesses, especially a sluggish economy, the Soviet Union alone possesses the armed might that has the potential for destroying the United States. We have identified more new Soviet weaponry in the first three years of the 1980s than throughout the entire decade of the 1970s. The Soviets currently spend 14 percent of their GNP on defense; that's twice as much as we do.

I believe that the Soviet Union is perhaps the last genuine empire. The men in the Kremlin -- whether Andropov or Chernenko -- are unrelenting in their quest to expand Soviet power and domination. Moscow's geographic expansion of power in a mere decade is unprecedented.

Less than a year after we had won the big struggle against Hitler with Russia by our side, the new U.S. Ambassador to Russia, General Walter Bedell Smith, met with Stalin in the Kremlin to ask, "What does the Soviet Union want and how far is Russia going to go?" Stalin accused the U.S. of trying to thwart Russia. Asked again, "How far is Russia going to go?" Stalin coolly replied, "We're not going much further."

We know today that Russia has gone a lot further. It is essential that we understand how this was accomplished. During the mid to late 1970s, the Soviets unfurled a new strategy on a new front--the Third World. And their strategy has worked.

Soviet power has been established:

--In Vietnam along China's southern border and astride the sea lanes which bring Japan's oil from the Persian Gulf.

--In Afghanistan, 500 miles closer to the warm water ports of the Indian Ocean and to the Straits of Hormuz through which comes the oil essential to Western Europe.

--In southern Africa, rich in minerals, which the industrial nations must have.

--And in the Caribbean and Central America on the very doorstep of the United States.

The most effective technique employed in this strategy has been the use of Soviet proxies. These proxies act in peace as well as war. The role of these Soviet surrogates is as much political as military. East Germans in Africa, Cubans in Latin America, Vietnamese in Asia have a certain legitimacy and a freedom from the imperialist taint that would tarnish Soviet troops, were they to be used directly. Different proxies have specialized functions. There are more than 40,000 Cubans in Africa, and 80 percent of them are soldiers on active duty. Vietnam, with the fourth largest army in the world, keeps China and Thailand worried as it solidifies its position in Kampuchea. Most of the thousands of East German experts in Africa or Latin America are active in administration, education, industry, health, and, above all, the security forces which protect the regimes from the people.

Libya, Cuba, South Yemen, East German, and Bulgaria operate camps for training terrorists and insurgents who are then sent around the world. The Libyans have helped promote Soviet foreign policy goals through their invasion of Chad and through their assistance to rebels in the Philippines, Morocco and Central America. Let us also not forget Libyan support to coups, plots, and assassination attempts against the leaders of pro-Western countries, nor their financial help to so-called "liberation" groups and terrorist organizations in the Middle East and at least ten countries in Latin America.

If history has taught us anything it is that military strength and the will to use it when necessary deters aggression. This means that we cannot slacken in our commitment to a strong national defense despite its burdens. The alternative is slow economic strangulation and political isolation.

Those of you who will enter business will have a key responsibility in ensuring our national defense remains strong. The Soviet Union is able to sustain its enormous military machine in part because American business, American know-how, provides the technological research and development that helps fuel its military build-up. We design the weapons; the Soviets steal the plans or copies; and then we have to invent something to counter our old systems. The defense budget gets bigger and we all pay more taxes.

The Soviet military had our plans for the C-5A GALAXY plane before it flew. The precise gyros and bearings in their latest generation of ICBMs were designed by us. Their Space Shuttle is a virtual copy of our first design. And the list goes on and on.

They comb through our open literature, buy through legal trade channels, religiously attend our scientific and technological conferences, and send students over here to study. In addition to exploiting all open, legal channels, they use espionage. When all else fails, they steal from us.

There are several thousand Soviet Bloc collection officers at work primarily in the United States, Western Europe, and Japan. They also use sophisticated international diversion operations to purchase Western technology through third parties. We have identified some 300 Communist-country owned firms operating from more than 30 countries engaged in such diversion schemes.

The West must organize to protect itself; and it will take the combined efforts of both business and government. The businesses in which you will work will be our first line of defense. Industrial security measures need to be strengthened to protect our nation's most valuable commodity -- our own innovations and brainpower -- from being used against us.

International terrorism has become and will remain a fact of life for business, especially overseas. U.S. citizens are the primary targets of terrorist groups; about 450

Americans have been killed by foreign terrorist since 1968. It is estimated that U.S. firms have paid millions in ransom over the past ten years.

As practiced today, terrorism obliterates the distinction between peace and war. We count over 50 major terrorist organizations and a great many more "mom and pop shops" which can be hired by Iran, Syria, Libya, and other radical governments. The U.S. Government and the Intelligence Community are taking strong measures to deal with terrorism but it is something we all will have to live with and must defend against for a long, long, time.

The pace at which technological change is taking place in various parts of the world will affect individual businesses, national economies, military capabilities and government policies. Irregular rates of growth in technology will contribute to economic strains with key U.S. allies, and may actually slow economic growth in some Third World countries. The spread of technology will make it easier for more countries to produce sophisticated weapons and military components, but may also reduce the real value of some commodity products.

American business will face greater challenges from newly industrializing countries such as Singapore, South Korea, Taiwan, and Brazil. Such countries are aggressively reshaping

their industries from primarily producers of simple, labor-intensive goods to new, high-growth, technology products such as telecommunications equipment, small computers, and machine tools. Lower labor costs and government subsidization of manufacturing will make them tough market competitors.

U.S. aerospace firms' traditional dominance in supplying components and subsystems to commercial aircraft manufacturers is being eroded as Western European nations push development of indigenous aerospace industries. Advanced materials are increasingly important to industrialized countries' economic and military strength. Some foreign governments are undertaking major national programs for research and development of, for instance, semiconductor materials, high performance ceramics, and advanced composite materials. Leadership in these areas could translate into a strong competitive leverage for products in world markets.

Japan Inc. is, of course, already a formidable business competitor and will become even more so in the computer and robotics field. Leading Japanese firms are developing and will soon market large-scale, scientific computer systems--the "supercomputers." Such systems have a number of significant military applications and Japanese success in this market will challenge the present U.S. dominance.

The Japanese have also put us on notice that they are intent on capturing a share of the U.S. personal computer market. In addition, the increasing number of cooperative agreements between Japanese and U.S. companies is altering dramatically the structure of the world computer industry. Looking ahead, such agreements could have security considerations depending on the scope of the arrangements. If U.S. companies rely on Japanese partners for hardware R & D, over the long-term, our firms could lose their indigenous capabilities and our defense industries might have little choice but to rely on Japanese firms for key components.

Japanese firms are also installing industrial robots four to five times faster than their U.S. counterparts and plan to export a growing share of their production. There is more at stake than the sale of robots since robots are often sold as part of complete manufacturing systems. Such complete systems can be worth 10 to 20 times the value of the robots alone.

But don't despair of all this. There is much to be optimistic about. While you will need to view the world realistically and face these and other challenges, remember that this country and its people have many strengths. The United States enjoys enormous respect and envy around the world, even from our adversaries.

During the 1960s, the early 70s, and indeed even today, there are those who have told us the United States has lost its way in the world -- that we no longer can influence or control important forces that will affect our future. Do not heed such voices. True, we should use our military power and our economic and political influence judiciously and some events are outside our control. But our natural resources, our size, the creativity of our people, and particularly our values give us enormous influence around the world and control over our national destiny. In that you may take great pride.

Despite its massive military machine, the Soviet Union is in many ways crippled. What does it have to offer or enlighten the world? What economic, political, or social benefits? Without exception, the economic record of the countries which have come under Soviet domination has ranged from poor to very poor. Economic progress has been far greater in the free areas of East and Southeast Asia, in Central America until disruption by Soviet and Cuban-backed insurgency, in the Ivory Coast and other non-socialist countries in Africa.

I believe American business is one of our greatest international assets. And we must find a way to mobilize and use this great advantage particularly in the Third World where

the Soviet challenge is immediate and threatening. All that is needed for Soviet expansionism to succeed is for the U.S. to do nothing -- to simply acquiesce through inaction.

We cannot back away from the Soviet challenge in the Third World. Yet neither we nor the Soviets can offer unlimited or even large-scale economic assistance to the less developed countries. Investment is the key to success in the Third World and we, our NATO allies and Japan need to develop a common strategy to promote investment and support it with know-how.

Another equally important strength we possess is our heritage of political values -- our democratic traditions, our freedoms. Human beings, in incredible numbers, are risking their lives every day in desperate attempts to escape dictatorship. Over two million Vietnamese risked drowning and death by pirates for a chance to come here or to other democracies. A 150,000 perished in the attempt. Almost four million Afghans have fled their country; at least 150,000 have been killed or wounded; and remember the Haitians, Ethiopians, Cubans, and more recently, in Central America, the 10 to 15,000 Miskito Indians who have had to flee into Honduras. Their flight is testimony to the emptiness of dictatorship and the continuing allure of freedom. Thus, we must foster in the

Third World the infrastructure of democracy, the system of free press, unions, political parties, universities, which allows a people to choose its own way, to develop its own culture, and to reconcile its own differences through peaceful means.

It is your challenge, as this country's future business and government leaders, to be cognizant of world affairs and history, not just for your personal benefit or your company's, but also for the benefit of this nation as a whole. You are embarking on an exciting -- though not also an easy -- future. Dealing with the world realistically does not mean you cannot or should not have high hopes. As Thomas Wolfe wrote in his novel, Of Time and The River, "It's a fabulous country--the only fabulous country. The one where miracles not only happen but they happen all the time."

Lofty goals, hard work, and enthusiasm still matter. Remember your political heritage and the values of your families and this college. With perseverance and devotion to duty you will ensure that the opportunities and freedoms you enjoy today will be enjoyed by those that follow. I extend my personal congratulations to you, the graduates of 1984, and to your families. Thank you.